Automotive Components Europe S.A.

Quarterly Consolidated Report

for the

Quarter ended March 31st, 2014

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A. Director's report

1. Introduction

ACE (the "Company") is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg (full name Automotive Components Europe S.A., abbreviated form ACE S.A.) ACE is registered with the Luxembourg Registry of Commerce and Companies under number B 118130, and its registered office is at 38, boulevard Napoléon 1er, L-2017 Luxembourg, Grand Duchy of Luxembourg. On 22 February 2013 the Board of Directors of the Company, pursuant to Article 2.1 of the Articles of Association, took a resolution transferring on 25 February 2013 the registered office of the Company within the boundaries of the municipality of Luxembourg City, from its previous location at 82, route d'Arlon, L-1150 Luxembourg.

ACE as a holding company has one holding company in Spain, ACE Boroa S.L.U., which holds three operating companies (the Group): the iron casting division of Fuchosa in Spain and Feramo in the Czech Republic, and the aluminium casting division of EBCC in Poland. ACE Boroa S.L.U. is also the main shareholder of ACE 4C A.I.E., the R&D company of the Group serving all the operating companies, with 96% of its shares (the remaining 4% are held by Fuchosa).

ACE is a specialised supplier to the European automotive industry, with a leading position in brake system components, focusing on the manufacture of iron anchors (a safety component of disc brake systems, responsible for fixing the brake module to the chassis) and aluminium callipers (a component of the disc brake system that houses the brake pads and pistons; in the braking process it is responsible for supporting the hydraulic pressure).

During the IPO, which took place in May 2007, the Company increased its shareholding capital from 20 050 100 to 22 115 260 shares. The first listing of ACE on Warsaw Stock Exchange took place on June 1st, 2007.

The Extraordinary General Meeting of Shareholders held on 17 June 2009 resolved to reduce the issued share capital of the Company by EUR 132 711.75 to bring it from EUR 3 317 289.00 to EUR 3 184 577.25 by cancellation of 884 745 shares at a par value of EUR 0.15 each, owned by the Company, following the completion of the buy-back programme as approved at the annual shareholders meeting of the Company held on 17 June 2008. Pursuant to the resolution the total number of outstanding shares decreased to 21 230 515 shares.

ACE's business is managed by a Board of Directors and a Chief Executive Officer to whom the Board has delegated the day-to-day management of the Company other than in relation to certain matters specifically reserved to the competence of the Board. The Chief Executive Officer, in the performance of the day-to-day management of ACE is supported by a Management Committee constituted of senior officers of ACE, appointed by the Board.

Composition of the Management bodies of ACE as of March 31, 2014

Management Committee:

Jose Manuel Corrales	*Chief Executive Officer*
Raul Serrano	*Senior Officer, Chief Financial Officer*
Carlos Caba	*Senior Officer, Business Development Manager*

Board of Directors:

Jose Manuel Corrales	*Class CB Director, President*
Raul Serrano	*Class CB Director*
Jerzy Franczak	*Independent Director*
Rafał Lorek	*Independent Director*
Piotr Nadolski	*Independent Director*
Oliver Schmeer	*Independent Director*

The condensed consolidated quarterly report for the first quarter of 2014 was prepared according to International Accounting Standards.

2. Financial Highlights

in '000 Euro

Selected consolidated financial items	*For the 1st quarter of 2014 From January 1st to March 31st, 2014*	*For the 1st quarter of 2013 From January 1st to March 31st, 2013*
Revenues from sales	26 625	26 129
Operating Profit	1 749	756
Profit before tax	1 582	452
Net profit	955	218
Net profit attributable to equity holders of the parent company	955	218
Cash flow from operating activities	- 339	1 274
Cash flow from investment activities	-1 009	-1 866
Cash flow from financial activities	- 689	- 335
Net cash flow	-2 178	-1 025
Current assets	33 437	36 321
Fixed assets	45 860	47 493
Total Assets	79 296	83 814
Liabilities	41 319	43 597
Long-term Liabilities	17 508	22 787
Short term Liabilities	23 811	20 810
Shareholders' Equity	37 977	40 216
Shareholders' equity attributable to shareholders of the parent company	37 977	40 216
Share capital	3 185	3 185
No of shares outstanding	21 230 515	21 230 515
Net profit (loss) per share	0,04	0,01
Book value per share	1,78	1,89

3. Financial performance

Consolidated Profit & Loss Statement

in '000 Euro

	For the 1st quarter of 2014 From January 1st to March 31st, 2014	*For the 1st quarter of 2013 From January 1st to March 31st, 2013*
Revenues from sales	26 625	26 129
Cost of goods sold	-20 801	-21 436
Gross profit	5 825	4 693
GP margin	*21,9%*	*18,0%*
G&A expenses	-4 076	-3 937
Operating profit	1 749	756
OP margin	*6,6%*	*2,9%*
Depreciation & amortisation	-1 302	-1 205
EBITDA	3 051	1 961
EBITDA margin	*11,5%*	*7,5%*
Financial Result	- 167	- 304
Profit before tax	1 582	452
Tax	- 627	- 234
Net profit	955	218
NP margin	*3,6%*	*0,8%*

Sources of sales revenues

The main source of ACE Group's sales revenues is sales of nodular iron anchors as well as aluminium callipers and tandem master cylinders (TMC) for the automotive market, and grey iron parts for different purposes. The remaining, minority part of the Group's sales, comprises mostly revenues from post-production scrap and tooling.

Sales revenues in '000 Euro	*First quarter of 2014*	*%*	*First quarter of 2013*	*%*
Sales of products	25 972	97,5%	25 646	98,2%
Sales of goods and materials	654	2,5%	482	1,8%
Total sales revenue	**26 625**	**100%**	**26 129**	**100%**

Sales revenue in '000 Euro	*First quarter of 2014*	*%*	*First quarter of 2013*	*%*
Nodular iron products	15 671	60,4%	14 358	56,0%
Grey iron products	1 461	5,6%	2 754	10,7%
Aluminum products	6 757	26,0%	6 302	24,6%
New family of products	2 083	8,0%	2 232	8,7%
Total sales	**25 971**	**100%**	**25 646**	**100%**

Sales volumes in thousand pieces	*First quarter of 2014*	*First quarter of 2013*
Nodular iron products	6 807	6 502
Grey iron products	226	372
Aluminum products	1 403	1 321
New family of products	681	638
Total pieces sold	**9 117**	**8 832**

The geographical profile of sales directly reflects the location of major customer' factories producing complete braking systems.

Revenues by country	*First quarter of 2014*	*First quarter of 2013*
Germany	20,9%	20,9%
Czech Republic	20,3%	21,1%
Slovakia	17,6%	15,3%
France	10,7%	11,8%
Spain	8,3%	7,3%
Poland	4,5%	4,5%
Other	17,8%	19,1%
Total	**100,0%**	**100,0%**

Automotive Market Performance

Thousand Units	*First quarter of 2014*	*First quarter of 2013*	*Difference*	*%*
Cars sold	3 131	2 915	216	7,4%
Cars manufactured	3 097	2 877	220	7,6%
Difference sales - production	34	38	-4	
ACE Automotive	8 891	8 459	432	5,1%

Source: Western Europe by LMC Automotive Forecasting, ACE

In first quarter of 2014, sales of cars in Western Europe increased by about 216 thousand cars, or 7.4% comparing same period of 2013, according to LMC Automotive (formerly JD Power Forecasting). This is the third quarter on a row that sales improved year on year, after two years of continuous market contraction. All the main markets had positive trend, some of those with double-digits percentage increase (UK: 13.7% and Spain: 11.8%). This sales performance is driven by the larger number of working days comparing with previous year, besides the more favourable economic situation and higher customer confidence in some countries. Regarding Pan-European region, sales of cars was higher by 5.2%.

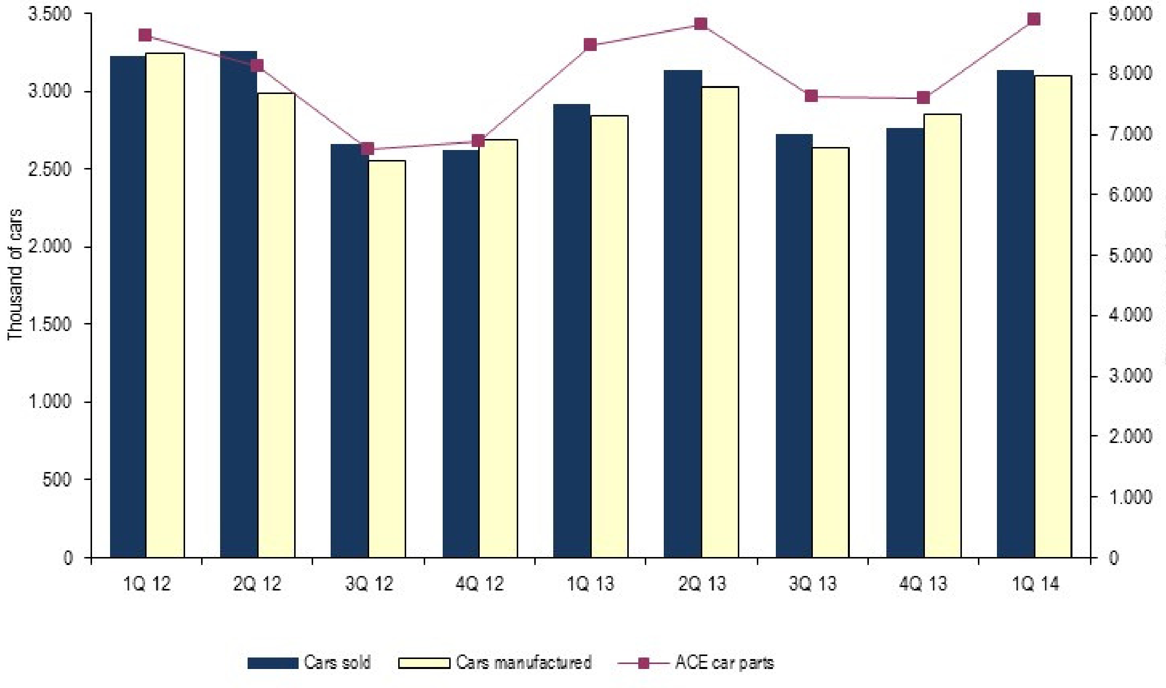
Car production in Western Europe in comparison with first quarter of 2013 was higher by 220 thousand cars or 7.6%, in line with sales, while in Pan Europe, production was also higher by 6.6%, some above than sales in the same region.

ACE sales in the market context

	Thousand Units				*Thousand Euro*			
	First quarter of 2014	***First quarter of 2013***	***Diff***	***%***	***First quarter of 2014***	***First quarter of 2013***	***Diff.***	***%***
Nodular iron products	6 807	6 502	306	4,7%	15 671	14 358	1 313	9,1%
Aluminium products	2 084	1 958	126	6,4%	8 839	8 534	305	3,6%
ACE Automotive	**8 891**	**8 460**	**432**	**5,1%**	**24 510**	**22 892**	**1 618**	**7,1%**
Non-automotive	226	372	(146)	39,3%	1 462	2 754	(1 292)	46,9%
Total ACE	**9 117**	**8 832**	**285**	**3,2%**	**25 972**	**25 646**	**326**	**1,3%**

In volume terms the difference year on year was up by 5.1% in number of units for automotive segment (+3.2% for the whole Group). In iron segment, sales were higher by 4.7%. After significant increase in the activity of the Spanish company in 2013, sales in the first quarter of 2014 were higher than previous year by 2.3%. Furthermore, this sales level improved up to 4.7% also thanks to the new capacity in the Czech company after the implementation of the CEE Project. Meanwhile, sales in Aluminium activity were up by 6.4% in number of units, more in line with the market trend (including new family of products). In non-automotive segment, grey iron sales decreased by -31.2%, even higher if we refer to weight (-41.7%), as currently the nodular iron is a priority for the Czech company.

Year on year, group volume was below the market performance, but still in a good shape as it can be seen in following graph.



In value terms, sales in Euro are in line with the performance in volumes, up by Euro 1 618 thousand or +7.1% regarding automotive segment, although with a different split by segment, influenced by a higher average weight of the parts sold and a different mix.

Direct production costs and gross profit

The main reason of gross profit improvement is the better operating leverage, mostly as a result of the increasing productivity of the new molding line in operation since September 2012 which is allowing an important growth of sales comparing with the same quarter of 2013.

Other remarkable effects were the efficiency improvements achieved in main consumptions as well as FX activity in the operating level, mostly as a result of the weakening Czech koruna year on year.

Regarding the Czech company and the CEE project, the start of serial production of nodular iron business has supposed some changes in the profit and loss split. While raw material expenses have increased in order to produce nodular iron, outsourcing expenses have been reduced as the new mix does not need such reworks.

Finally, higher expenses in payrolls to achieve the increasing production, led the Gross profit to EUR 5 825 thousand (21.9% on sales), which is EUR 1 132 thousand higher than the same quarter of 2013 (18.0% on sales).

General & administrative expenses

General and administrative expenses were higher by Euro 139 thousand year on year. This difference is due to two one-off issues with opposite effect, which almost compensate each other. On the one hand, additional expenses related to M&A research and on the other hand, an insurance payment connected with the accident that took place in the furnaces last year when the start up the new facilities in our Czech company.

Finally, according to the ESOP agreement the Group recorded an amount of approximately Euro 125 thousand in this quarter. It should be taken into consideration that this amount corresponds to the portion of the estimated total fair value of the ESOP, and other than for the bonus portion of that plan, which otherwise would be also accrued as part of the buyback programme, does not represent neither a real expense nor a cash outflow for the Group.

EBITDA and operating profit

Higher Gross profit but higher General and administration expenses led EBITDA in the period positive by EUR 3 051 thousand (11.5% on sales), which is EUR 1 090 thousand above the same period of 2013 (EUR 1 961 thousand or 7.5% on sales) for the reasons already mentioned.

Depreciation was also higher in the comparative period by around EUR 97 thousand, resulting in an operating profit of EUR 1 749 thousand (EUR 993 thousand higher than 2013).

Financial items

The financial result for the first quarter of 2014 was negative by EUR -167 thousand, being the difference versus 2013 positive by EUR 137 thousand. The main reasons behind are related with the exchange differences due to fluctuations between Czech Koruna and Polish Zloty, versus Euro.

In this regard, most of the currency exchange differences regards to changes in the outstanding balances at the end of each period which are not realized, and having accounting nature are recorded in Equity, thus resulting in a lower volatility.

After the period, the fair value of hedging instruments and the interest rate swap in the balance sheet was negative by EUR 185 thousand. According to accounting standards, changes in valuation of current hedging instruments have no impact on P&L account and are fully cleared through the equity in the balance sheet.

Profit before tax, Taxes and Net profit

Profit before tax in first quarter was positive by EUR 1 582 thousand (EUR 1 130 thousand higher y-o-y).

Tax recorded was EUR 627 thousand which is higher by EUR 393 thousand comparing with the same period of 2013. This is mainly driven by the good results achieved at the operating level.

Reflecting all the above, the Group was also very positive at the net profit level by EUR 995 thousand, EUR 737 thousand higher year on year.

Financial Position

The operating generation of cash from January to March of 2014 was negative, by EUR -481 thousand, mostly affected by the worsening working capital due to the increase in the activity in the Group, but also influenced by the low working capital level in December.

Otherwise, investing activities amounted to EUR 1 009 thousand in the period, while financing activity is mainly driven by the buy-back program in progress, plus a new loan obtained in the quarter which relates to R&D expenses.

Reflecting all the above, the final cash position of the Company as of the end of March 2014 is positive by EUR 5 500 thousand and Net debt amounts to EUR 14 743 thousand.

4. Business overview

European Automotive Industry

The performance of ACE depends on trends in the automotive industry as well as the behaviour of major brake system producers. Due to the current market positions of both brake system production plants, ACE Group is limiting its operations to Europe, where it has a strong position and competitive advantage. However, the Company does not exclude expansion to new geographical markets should favourable acquisition opportunities arise. The conditions of the European automotive market are a major factor influencing performance of the Company's shares because of close-knit relationships in the supply chain structure.

The latest LMC Automotive forecast for 2014, issued in April 2014, predicts an increase of new car sales in Western Europe by about 3.5%, corresponding with a production growth of around 4.1% (source: PwC Autofacts April 2014 including commercial light vehicles), or 3.4% for Pan-Europe due to the potential impact in Easter Europe caused by the political instability in this region. PwC forecast is slightly upgraded in the European Union compared with the one issued one quarter ago, where expected increase was 3.6%, but in Pan-Europe declined from previous 4.5% as a result of stagnation expected in Eastern Europe now.

Within Europe the producers are shifting their production worldwide facilities to the CEE region. Central and Eastern Europe has become a new hub for manufacturing motor vehicles, especially passenger cars, and is sometimes called "East Detroit". This production zone spreads over southern Poland, north-eastern Czech Republic and Slovakia down to the northern part of Hungary, where a network of manufacturing facilities with significant capacity has recently been set up with more facilities under construction.

European Brake Industry Structure

With respect to brake components such as anchors and callipers, most of the business is outsourced from Tier 1 brake system assemblers to Tier 2 suppliers specialised in foundry parts and castings. ACE is an integrated Tier 2 supplier of front- and rear-axle iron anchors and aluminium callipers for passenger car brake systems.

Tier 2 suppliers deliver their products to Tier 1 producers, which in turn are responsible for assembling brake systems and delivering them to car manufacturers (OEMs). Production of Tier 1 and Tier 2 manufacturers is highly dependent on the performance of OEMs, particularly in the passenger car segment. The relations are structured through open contracts covering capacity, price and product range. Contracts are normally signed or agreed on a long-term basis, however, key terms such as capacity and prices are negotiated every year. The product optimisation and development processes cause a significant client lock-in effect. Suppliers are usually locked in for the entire production life of a given car platform. Tier 1 brake component manufacturers require from Tier 2 casting suppliers capabilities of cooperation in product development of casting items (design, material, etc.), a certified, reliable manufacturing process, a high level of quality, and a competitive price. Machining of aluminium brake components, such as callipers, has mostly been outsourced to CEE suppliers, such as ACE's plant in Poland or LeBelier in Hungary, though following the crisis period and consequent creation of overcapacity, Tier 1 manufacturers are retaining an important part of the machining business for themselves.

All new cars produced in Europe are equipped with disc brakes, as far as the front axle is concerned. Main assumptions in terms of using of disc brakes in cars were: as for rear axle, disc brakes are applied in around 72% of newly produced cars and the remaining 28% of cars still use drum brakes in rear axle.

In all disc brake systems the anchors are made of nodular iron castings. Currently, nodular iron is by far the best material for anchors. As far as callipers are concerned, these parts are usually made of nodular iron in front axles. However, since the late nineties aluminium castings are becoming increasingly popular, especially in rear disc brakes. Automakers are using more aluminium to improve fuel economy, reduce emissions and enhance performance, as aluminium helps to reduce the weight of the vehicle. Due to the fact that aluminium callipers are less durable than those made of nodular iron they are applied in rear axle disc brakes, as these brakes contribute to 20–30% of braking power. In front disc using of brake systems aluminium callipers is exceptional, as they need to be significantly bigger than nodular iron callipers, and are currently used only in high-end cars. However, this segment represents high growth potential and in fact the company became awarded with some of the few applications in the market, which are in the production pipeline since the last quarter of 2009.

Main Products

The core business of the ACE Group focuses on production of high-quality brake components for disc brake system (Tier 1) manufacturers. The aluminium casting division adds gravity aluminium casting and machining to the ACE Group's product range. With the CEE investment project ACE is also introducing other important products and customers for automotive sector.

Anchors are safety parts expected to meet high technological requirements such as very high standards for strength resistance, elongation, machining, torsion, resilience, thermal stability and vibration reduction. Anchors are responsible for fixing the brake module to the chassis. ACE's anchors are made of nodular iron. Iron anchors are currently applied in most of newly produced cars.

Callipers are also essential components of disc brake systems, which house the brake pads and pistons. In the process of braking they are responsible for supporting the hydraulic pressure in the brake moment. Aluminium callipers currently produced by ACE are mostly used in rear brakes. ACE's focus on rear callipers is in line with the current technological trends, according to which the predominant application of aluminium callipers is the rear-axle brake. A new production line for front aluminium callipers has been in operation since January 2010. A new manufacturing system to produce front callipers in aluminium is an innovative solution recently introduced by ACE, and this system has already been patented. ACE is the reference supplier of this component in Europe.

ACE continuously cooperates with its customers on redesign and development of products used in new car models introduced onto the market. There are currently several projects in which both divisions are involved, focused on refurbishment and improvement of the braking system components produced. This is the key to our future business development, since ACE cooperates with its customers for a period of one to three years before start of production.

Feramo, a company acquired in 2008 in the Czech Republic, offered a wide range of grey iron castings for the engineering, hydraulic, electrical and automotive sectors, as well as for small urban architecture projects. Sales to the automotive sector constituted more than 10% of Feramo's sales. However, with the CEE Investment Project, Feramo is adding new volumes for the automotive sector and in the nodular iron segment with Tier 1 customers, which means higher specialisation in this market and gaining share in this market, up to 26% in first quarter of 2014.

The present and future development strategy of the Company includes development and introduction of some new products to diversify sales revenues. The evolution of "new family products" continues its strong growth and in 2013 grew by 8.1% from 2012 and more than sevenfold from 2009, the first year of introduction, which very well illustrates and supports that strategy.

Main customers

The ACE Group supplies its products to the following Continental plants: Gifhorn and Rheinböllen (Germany), Palmela (Portugal), Ebbw Vale (Wales) and Zvolen (Slovakia). As far as TRW Automotive is concerned, ACE delivers its products to the plants in Jablonec (Czech Republic), Bouzonville (France), Koblenz (Germany), and Pontypool (Wales). Supplies to CBI (former Bosch) are made at its plants in Buelna (Spain), Bari (Italy), Angers (France) and Wrocław (Poland). Since 2011, the Group has also delivered parts to American and Chinese plants of some of its customers to make up for discontinuation of supplies driven by under-capacity in those regions as well as local suppliers' quality failures.

Since the acquisition of Feramo, some other customers have joined the ACE portfolio. Last years Feramo had approximately 75 customers from the Czech Republic and abroad. The 10 largest customers generated about 70% of total sales revenue, and the customer structure was relatively stable on a year-to-year basis. The main sectors Feramo supplied were engine parts, construction, automotive and urban furniture. With the launch of the growth project at Feramo, several new customers have been actively approached, and the company has already reached commercial agreements with some of them to produce new parts in 2014.

The Group does not usually experience any important fluctuation of sales linked with changes in seasonal demand. Nevertheless, during Easter, summer and Christmas periods the activity decreases due to holidays and maintenance shutdown of facilities.

Suppliers

Because ACE's production plants use different production materials and technologies, they are responsible for their own supplies.

In general, contracts made by the iron segment are for one month and mainly concern purchase and supply of scrap. As a general rule, upon expiration, the terms of the raw material contracts are re-negotiated and adjusted to market prices. Sand supply contracts have a longer duration, normally of one year, whereas electricity is supplied on a daily basis at the spot price.

The aluminium casting division does not sign long-term written agreements with its major production material suppliers, other than for aluminium raw material itself. Purchases of materials are made on an order-by-order basis on the terms and conditions (including prices) agreed therein.

Research & Development

The Group has a well-executed and highly organised product development system, fully suited to the requirements of its customers in the automotive industry. Compared to other brake casting manufacturers, ACE has leading-edge capabilities in product development. Human resources and equipment are designed to maintain the lead in development of specific products (mainly anchors and callipers). The product development capabilities and philosophy are focused on close cooperation with customers. This allows ACE to be a customer- and product-oriented company providing its customers with customised engineering. This advantageous position definitely generates benefits for introduction of new products, which is especially beneficial for the CEE investment project in terms of knowledge transfer and development.

As a result of this vocation to move forward in R&D capabilities and expansion within the Group, in December 2010 some R&D resources of the operating companies were moved to a new company, ACE4C A.I.E., which will be the new hub for development of the Group's research capabilities and a technological platform for growth. There are three main areas where ACE4C will be focused:

- Product development for current and potential new products
- Process improvement, including active research on other interesting processes and technologies
- Creation of an important technological network

ACE4C is involved in some important and innovative projects focused on improvements in process, design and products. Some of these projects are developed in collaboration with customers, technical universities and technological centres.

Despite the economic crisis ACE is continuing to devote significant resources to R&D activities because of their importance for the present and future of the Group.

The R&D expenditures during first quarter of 2014 are as follows:

In '000 Euro

	First quarter of 2014	*First quarter of 2013*
Investments in R&D	232	172
Costs regarding R&D	78	152
Total R&D expenses	**310**	**323**

Strategy

Strengthening the leading position on the European brake supply market
Since specialising in the casting of brake components, the operating plants have been constantly focused on increasing their respective market shares, maintaining the high quality of components manufactured, and providing reliable logistics and service for customers. In the upcoming years, the Spanish plant will focus on maintaining its strong market position in iron castings, while the plant in Poland, currently the number two aluminium calliper provider, will strive to gain additional market share in the aluminium castings market by capturing additional volumes for production of callipers, due to its high degree of innovation and competitiveness. Development of new capacities at Feramo will position the Czech plant among important suppliers of automotive castings in future.

Broadening the technological and product range
The Group has already expanded the current product portfolio, especially through introduction of new aluminium products in Poland and the acquisition of Feramo. In 2008 ACE successfully started production of TMC, which should generate a considerable portion of revenues in future. There were several new capacity projects in the pipeline launched in 2009, including aluminium front calliper and iron machining. Thanks to the Czech plant, ACE has also broadened its product portfolio of iron castings for other industries, including electro-mechanical, construction and industrial equipment. In other directions, implementation of nodular iron technology, promoted by the Group to manufacture new parts for the automotive segment, is also on-going, and after the full implementation of the CEE investment project, ACE will also change its profile in the nodular iron segment (location, products and customers, among other aspects).

Increasing presence in Europe and exploring new opportunities overseas
The location of the Polish plant is very favourable because of the lower labour costs and the proximity to customers based in Central & Eastern Europe. Feramo is also located in the heart of the automotive industry, a very short distance from current and potential new customers. This advantage will be exploited in future after expansion of Feramo's production capacity.

The increased CEE exposure enables optimisation of the ACE Group's cost position and further business growth through expansion of the current product line and meeting customers' expectations for more flexible deliveries. With hi-tech know-how and experience in deliveries to the automotive industry, top product quality and customer service are guaranteed. Although the Group is focused on expansion in Europe, ACE is actively exploring opportunities in other important automotive areas for fast development, such as Asia and America.

Combined engineering and other synergies

Combining and exploiting the strengths of each business as well as developing the synergies between them is one of the main factors for present and future success, not only in the business areas of engineering and manufacturing but also in the areas of support, like finance, HR and IT, which step by step are being standardised. Indeed, this is one of the main pillars of our strategy when developing the nodular iron technology for the automotive business in the CEE region.

5. Outlook for the following months

Automotive market in 2014

After six consecutive years of shrinking market, some growth can be reasonably expected for the year 2014. This is the third quarter on a row were sales are increasing comparing with previous year, but despite the good results in this quarter, slow recovery is foreseen in the following ones, which will still suppose a quite weak market. Only in six years since 2007 the Western European market lost near 3 million cars from a rate of 14.8 to 11.5 million. This means a contraction of the market by 22% in only six years, percentage which is softening when Eastern Europe is included but also with an increased number of cars lost in the period.

In this sense, the latest LMC Automotive forecast for sales in Western Europe automotive market, issued at the beginning of April, expects an increase of +3.5% from 2013, which has been upgraded when comparing with the report issued in February (+2.7%). Taking into consideration that sales were up by +7.4% in this quarter, following this forecast sales will be up only by +2.2% for the remaining part of the year.

As regards production, forecast is more optimistic. PwC Autofacts, in its last quarterly forecast updated (including light commercial vehicles, LCV) issued in April 2014, shows an increase of 4.1% in full year 2014 for the European Union (+3.4% when we include Eastern Europe).

Group Sales

As far as 2014 is concerned, at the time of preparation of this report, and based on current sales, our customer's demand and expectations, we can anticipate some market outperformance once again but with some unbalanced distribution of sales along the main business segments, with a general improvement of our margins in the automotive business.

Regarding iron segment, it is expected that an important part of the growth of sales in volume is coming from our Czech plant with the introduction of nodular iron in the production process but still depending on the performance of new facilities and new product development. In our Spanish plant, the growth is more limited after the boost of the new facilities, with more stability in sales but still with room for some productivity improvement as it was already visible in first quarter.

As far as aluminum segment is concerned, it is expect to outperform the market, with a stable machining business including the highly strategic volume of a new project shared with the iron division and the significant expected growth in the new family of products.

Meanwhile, one of the main tasks today is actively pushing on the pipeline of new products and projects to fulfil as much as possible the spare capacity created in the Group as a consequence of the slowdown, which applies especially to machining activity and Czech company. On the other hand, the medium and long-term strategy calls for introduction of new products and customers (organically and through acquisitions) to grow the business even when the automotive sector is not performing as in the past. The Group is well prepared in terms of resources, assets and technologies to benefit from its future organic growth in both casting businesses – iron and aluminium.

Economy drivers

During year 2014, we expect to consolidate and even improve the productivity ratios obtained in 2013 in the nodular iron segment. This was already visible in 2013 and it should even enhance throughout the current year to the same extent that new projects start on production.

As regards raw material activity, the Group expects some stability compared to the previous year. Energy price is also expected to be more stable comparing precedent years and it is already adapted to market conditions in the current surcharge agreements in place.

In this 2014 scenario of slow recovery and underused capacity, there is still an important competition factor which customers are taking advantage of to push down selling prices. The Group's important competitive advantage, mostly provided by the high degree of specialization and thorough knowledge of the product, should help the Group to a significant extent to face this situation in better standing, but the Group is aware that it is operating in a still contracted market, and only companies that manage to deal better with the new environment will be stronger after the slowdown.

Investment activity-CEE Investment Project

In the context of expected constant growth in the automotive market for the following years, CEE expansion as the Group's platform to grow in the nodular iron segment for the automotive market is also an important asset for the Group which will bring additional value in the near future. Although the main part of the investment is almost finalized, CEE project will be still visible in 2014. In addition to this, an investment for the production of a new product will start in the polish plant, as a consequence the constant searching of new projects in the current market environment. Thus annual capex expected amounts to near EUR 6 million.

Concerning CEE Investment Project, after some delay in the start-up process, mainly caused by the functionality of the electrical furnaces and learning curve, the company is now focused in the following activities:

- Industrialization and rump-up of new projects and products
- New electrical connection bringing further stability and cheaper energy costs
- Stabilization of equipment and processes
- Improvement of technical parameters and cost efficiency by means of rationalizing the current business and orienting the efforts to our strategic activity

Besides, we have already been successfully homologated for some project for a specific customer, starting the serial production with the new equipment. Additionally, we had initiated the trials and tests for some other new projects and customers in order to start serial production during the current and following quarters.

An additional purpose of this investment programme is to expand the portfolio of manufactured products and further diversify future revenues. This programme is being financed entirely from internal resources. The management of the Group is currently involved in development of the growth project, and expects to increase current Group sales by up to 20% within the next 3 years. At the end of the period ACE Group will have three equally important production plants contributing comparable sales and operational profits.

In the commercial pipeline, our R&D department is currently developing projects for a certain small amount of mass production projects, feeding only in 2015 the expected volume for the full new capacity installed in the plant and with an enormous market potential to develop a further group growth.

M&A

Additional growth of production and sales should come from M&A activities. The management of ACE carefully review any acquisition targets that appear, to assess their potential impact not only on the Group's sales but also on the financial position of the future entity. For a transaction to be approved, it should generate added value for the Group and the shareholders and should not worsen the financial situation of the existing plants in any way.

As regards Group strategy as stated in our ESPI report published on December 2011, the goals stated therein remain unchanged and it will be our main framework to develop our activities within the near future.

6. Additional information

Major shareholders (over 5% of shareholder's equity) as of March 31st, 2014

As of March 31st, 2014 the Company's share capital comprised 21 230 515 shares. The corresponding number of voting rights was 21 230 515.

To the best of the Company's knowledge as of the end of the first quarter of 2014, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of March 31, 2014 (% of share capital)	*As of December 31, 2013 (% of share capital)*
Casting Brake (Spain)	2 430 607 (11,45%)	2 430 607 (11,45%)
PZU Złota Jesień OFE	3 500 762 (16,49%)	3 500 762 (16,49%)
ING Nationale Nederlanden Polska OFE	3 174 104 (14,95%)	3 185 090 (15,00%)
Aviva OFE	3 105 776 (14,63%)	3 105 776 (14,63%)
Noble Funds TFI	1 076 463 (5,07%)	1 076 463 (5,07%)
Pioneer Pekao Investments	1 061 525 (5,00%)	1 061 525 (5,00%)

Changes in ownership of shares and rights to shares by Board of Directors' members

Except for the commitments raised by the ESOP program described below, the Board of Directors and Management Committee members do not have directly any shares of ACE or its subsidiaries or any rights to them, although indirectly some of them hold a stake in the Company.

Information on any one or more transactions concluded by the issuer or its subsidiary with related parties

The Company did not conclude any transactions with its subsidiaries or related parties in the first quarter of 2014.

Information on paid or planned dividend and buy-back

There was no dividend paid in the first quarter of 2014.

At the General Meeting of Shareholders adopted another buy-back programme under the same conditions as the one defined on 19 June 2012, but for a period of 3 years and with a maximum purchase price per share to be paid in cash of no more than PLN 20 and no less than PLN 0,04.

Changes of the Company's managing or supervisory persons in the first quarter of 2014

There were no changes in the Company's managing or supervisory persons in the first quarter of 2014.

Information on the supervision of employee stock option plans

On 14 May 2013 the Board of Directors approved a new management incentive scheme (ESOP) and a new annual bonus structure replacing entirely the existing bonus structure and ESOP approved by the Board of Directors on December 23,

2010. The objective of the scheme will be to incentivize the management team or executive directors of ACE or its affiliates (“Participants") to contribute to the success of ACE Group, to align the interests of the management, ACE Group and ACE shareholders. The Participants shall be entitled to acquire from ACE, upon the terms of the scheme, shares representing in aggregate up to nine per cent (9%) of the outstanding share capital of ACE (the “Management Shares"). The purchase by the Participants and transfer by ACE of the shares will take place in December, 2013, December 2014 and December 2015, resulting three per cent (3%) each date. The Management Shares will be distributed by the Board on an individual basis at its discretion, among the Participants. The purchase price in EURO will be the lower of (i) average purchase price paid by the company for the shares to be sold or (ii) the daily average stock market price of the day when the shares to be sold were acquired.

On 2 January 2014 the Company sold 636 916 of its own shares, on the basis of contracts for sale of shares concluded on 23 December 2013 with ten participants of the ESOP Program. The purpose of the sale transaction of the Company’s shares was the implementation of the first step of the ESOP Program. The average off the market transaction share price was EUR 1.98 per share. The total volume of sold shares was 636 916 representing 3.00% of the share capital and votes in the Company.

The new annual bonus for the Participants will be based on achievement of certain EBITDA targets in following years in line with former system, following which the Participants will be entitled to a yearly amount in EUR equivalent to 1% of shares acquired by ACE and that will be wholly dedicated to cover payments for acquired shares.

Investor Relations Contact Person:

Piotr K. Fugiel
Investor Relations Officer
e-mail: investor.relations@acegroup.lu

Information on the revenues and net results of individual business segments and geographical segments

Geographical segments in '000 Euro

	First quarter of 2014	*First quarter of 2013*
Western Europe	13 672	13 603
Eastern Europe	12 062	11 221
Other	891	1 305
Total	**26 625**	**26 129**

Business segments in '000 Euro

	Iron castings	*Aluminium castings*	*Other*	*Consolidated*
Total revenues	17 133	8 839	654	26 626
Operating Profit for the segment	**1 534**	**506**	**- 291**	**1 749**
Net Profit for the segment	**922**	**321**	**- 288**	**955**

7. Stock Market Information

Basic Information

Fiscal Year:	1 January through 31 December
ISIN Code:	LU0299378421
Par Value:	EUR 0,15 per share
Market of Quotations:	Warsaw Stock Exchange

Share Price Evolution

% of change as of the end of March 2014

	Compared to the end of 2013
ACE S.A.	-25,4%
WIG Index	+2,1%
SWIG80 Index	-4,7%

Stock Market Data

	First quarter of 2014	*2013*	*2012*
Market capitalisation as of the end of the period	PLN 259,9 m	PLN 348,2m	PLN 121,0m
(in millions of PLN and EUR)	€ 62,3 m	€ 84,0m	€ 29,6m
Share price (in PLN)			
- Highest	16,90	17,70	7,60
- Lowest	12,24	5,70	4,00
- Average	14,98	9,57	5,72
- At the end of the period	12,24	16,40	5,70
Shareholders' equity per share in EUR (in PLN)	1,78 (7,42)	1,78 (7,38)	1,92 (7,85)

Per Share Data

	First quarter of 2014	*2013*	*2012*
Earnings per share (in EUR)	0,04	0,09	0,11
Cash Flow per share (in EUR)	-0,10	-0,22	-0,41
Dividend per share (in EUR)	-	0,07	0,05

B. Condensed Consolidated Financial Statements for the quarter ended March 31st, 2014

The condensed consolidated quarterly report for the first quarter of 2014 was prepared according to International Accounting Standards.

Applied Exchange rates

As ACE is incorporated in Luxembourg, its statutory reporting currency is Euro. However, Polish plant uses *zloty* and Feramo uses Czech korona for both statutory and internal reporting. For the consolidation within ACE, the financial monthly statements of Polish plant are converted into euro by being its functional currency.
The following table shows certain information regarding the exchange rate between *zloty* and euro for the respective periods of analysis. This information is based on the official exchange rates quoted by the National Bank of Poland on its website www.nbp.gov.pl.
Investors should also note that the average rates are simple arithmetic averages for each given period.

PLN per 1 Euro	*Average*	*Highest*	*Lowest*	*Period end*
1 Jan – 31 Mar 2013	4,1550	4,2028	4,0671	4,1774
1 Jan – 31 Mar 2014	4,1858	4,2375	4,1450	4,1713

The following table shows certain information regarding the exchange rate between *korona* and euro for the respective periods of analysis. This information is based on the official exchange rates quoted by the Czech National Bank on its website www.cnb.cz.
Investors should also note that the average rates are simple arithmetic averages for each given period.

CZK per 1 Euro	*Average*	*Highest*	*Lowest*	*Period end*
1 Jan – 31 Mar 2013	25,5683	25,8400	25,2250	25,7350
1 Jan – 31 Mar 2014	27,4407	27,5900	27,3300	27,4400

Consolidated Balance Sheet as of March 31st,2014 in thousands of Euros

Assets	*As of Mar 31, 2014*	*As of Dec 31, 2013*	*As of Mar 31, 2013*
Non-current Assets			
Intangible assets	204	229	216
Property, plant and equipment	43 378	43 364	45 570
Investment in Associates	6	6	0
Derivative financial instruments (NCA)	48	47	15
Deferred tax assets	2 223	1 947	1 691
	45 860	**45 593**	**47 493**
Current assets			
Inventories	7 639	7 831	6 801
Trade and other receivables	20 041	15 406	18 161
Derivative financial instruments (CA)	157	185	167
Current income tax assets	99	60	84
Other current assets	0	0	28
Cash and cash equivalents	5 500	7 690	11 079
	33 437	**31 172**	**36 321**
Total assets	**79 296**	**76 765**	**83 814**

Equity & Liabilities	*As of Mar 31, 2014*	*As of Dec 31, 2013*	*As of Mar 31, 2013*
Equity			
Share capital	3 185	3 185	3 185
Share premium	3 959	3 959	5 444
Retained earnings	30 999	29 675	31 750
Cash flow hedges	- 20	30	- 118
Exchange gain or loss against equity	-1 101	-1 083	- 262
Profit for the year	955	1 936	218
	37 977	**37 702**	**40 216**
Liabilities			
Non-current liabilities			
Borrowings (NCL)	14 338	13 973	19 066
Deferred income	433	470	522
Deferred tax liabilities	2 342	2 307	2 745
Provisions for other liabilities and charges (NCL)	137	235	93
Derivative financial instruments (NCL)	258	220	360
	17 508	**17 205**	**22 787**
Current liabilities			
Trade and other payables	16 039	14 893	16 870
Borrowings (CL)	5 394	5 240	3 168
Derivative financial instruments (CL)	0	0	8
Current income tax liabilities	1 829	1 254	268
Other current liabilities	11	12	44
Provisions for other liabilities and charges (CL)	538	460	453
	23 811	**21 859**	**20 810**
Total Liabilities	**41 319**	**39 064**	**43 597**
Total equity and liabilities	**79 296**	**76 765**	**83 814**

Consolidated Income Statement for the period from January 1st to March 31st, 2014 in thousands of Euros

	For the 1st quarter of 2014 From January 1st to March 31st, 2014	*For the 1st quarter of 2013 From January 1st to March 31st, 2013*
Revenues	26 625	26 129
Costs of goods sold	-20 801	-21 436
Gross profit	5 825	4 693
Selling and distribution costs	- 658	- 594
General and administration costs	-3 790	-3 561
Other income	482	304
Other expenses	- 110	- 87
Operating profit	1 749	756
Financial result	- 167	- 304
Profit before income tax	**1 582**	**452**
Income tax expense	- 627	- 234
Profit for the period	**955**	**218**

Consolidated Statement of changes in Shareholders' Equity for the period from January 1st to March 31st, 2014 in thousands of Euros

Attributable to equity holders of the Parent

	Share capital	*Share premium*	*Legal Reserve*	*Retained earnings*	*Cash flow hedges*	*Exchange differences*	*Profit for the period*	*Net Equity*
Balance as of Jan 1, 2014	**3 185**	**3 959**	**320**	**29 355**	**30**	**-1 083**	**1 936**	**37 702**
Allocation of previous year profit				1 936			-1 936	
Profit / Loss for the period							955	955
Total recognised income and expenses for the period	**3 185**	**3 959**	**320**	**31 291**	**30**	**-1 083**	**955**	**38 657**
Exchange differences						-18		-18
Purchase of treasury shares				-735				-735
Dividend distribution								
Changes in fair value of currency hedging instruments					-50			-50
Other				123				123
Balance as of Mar 31, 2014	**3 185**	**3959**	**320**	**30 679**	**-20**	**-1 101**	**955**	**37 978**

Consolidated Cash Flow Statement for the period from January 1st to March 31st, 2014
in thousands of Euros

	From Jan 1st to Mar 31st, 2014	*From Jan 1st to Mar 31st, 2013*
Profit before income tax	1 582	452
Adjustments for:		
- Depreciation and amortizations of non-current assets	1 302	1 205
- Net financial result	210	323
- Net movements in provisions	- 175	- 174
Changes in working capital(excluding effects of acquisition and exchange differences on consolidation)		
- Inventories	192	1 925
- Trade and other receivables	-4 689	-3 624
- Trade and other payables	1 239	1 166
Cash from operating activities	**- 339**	**1 274**
Income tax paid	- 142	- 98
Net cash from ordinary activities	**- 481**	**1 176**
Cash flows from investing activities		
Purchases of property, plant and equipment (PPE)	-1 005	-1 866
Purchases of intangible assets	- 4	0
Net cash used in investing activities	**-1 009**	**-1 866**
Cash flows from financing activities		
Purchase of treasury shares	- 734	- 197
Repayments of bank borrowings	- 274	- 455
Proceeds from bank borrowings	37	0
Proceeds from other loans	522	548
Net of financial result paid and received	- 240	- 231
Net cash used in financing activities	**- 689**	**- 335**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**-2 178**	**-1 025**
Cash, cash equivalents and bank overdrafts at beginning of the period	7 690	12 407
Effects of exchange rate changes on the balance of cast held, in foreign currencies	- 12	- 303
Cash, cash equivalents and bank overdrafts at the end of the period	**5 500**	**11 079**

Notes to condensed financial statements

Accounting polices

The accounting principles and measurement basis of these Condensed Consolidated Financial Statements are consistent with those applied in the prospectus and changes introduced in 2012 regarding treatment of tax credits for R&D expenses. In the preparation of these financial statements, the Company has followed the IAS interim condensed financial reporting standards.

Consolidated entities

Company name	***Status***	***Ownership***	***Consolidation method***
ACE S.A.	Holding Company	-	Full
ACE Boroa S.L.	Holding Company	100%	Full
ACE 4C, A.I.E	R&D	100%	Full
Fuchosa S.L.	Operating	100%	Full
EBCC Sp. z o.o.	Operating	100%	Full
Feramo S.r.o.	Operating	100%	Full

Share capital changes

During IPO which took place in May 2007 the Company issued 2 065 160 new shares, which were offered to new investors of ACE as well as 10 103 927 existing shares which were sold by old shareholders. Changes in the share capital are illustrated in the following table.

	Before IPO		***After IPO***		***Current***	
	No of shares	*%*	*No of shares*	*%*	*No of shares*	*%*
Existing shares	20 050 100	100%	20 050 100	90,66%	21 230 515	100%
New shares	-	-	2 065 160	9,34%	-	-
Total	**20 050 100**	**100%**	**22 115 260**	**100%**	**21 230 515**	**100%**

Non-recurring items affecting assets, liabilities, equity, net income or cash flows for the first quarter

There were no significant non-recurring items affecting assets, liabilities, equity, net income or cash flows for the first quarter, other than those already described in chapter 3, Financial Performance.

The nature and amount of changes in estimates of amounts reported in previous financial reports having material effect in the current financial report.

There has been no change in estimates of amounts since publication of the Prospectus. All valuation methods applied in this report are consistent with those used for financial statements presented in the Prospectus.

Dividends Paid in the period of the first quarter of 2014

The Company did not pay any dividend in the period of the first quarter of 2014.

Issuances, repurchases and repayments of debt and equity securities

The company repaid EUR 274 thousand of debt in the first quarter of 2014.

Material events after the end of the first quarter of 2014 that have not been reflected in the financial statements

There were no material events after the first quarter of 2014.

Changes in the composition of the Company during first quarter of 2014

There has not been any change in composition of the ACE group within the period.